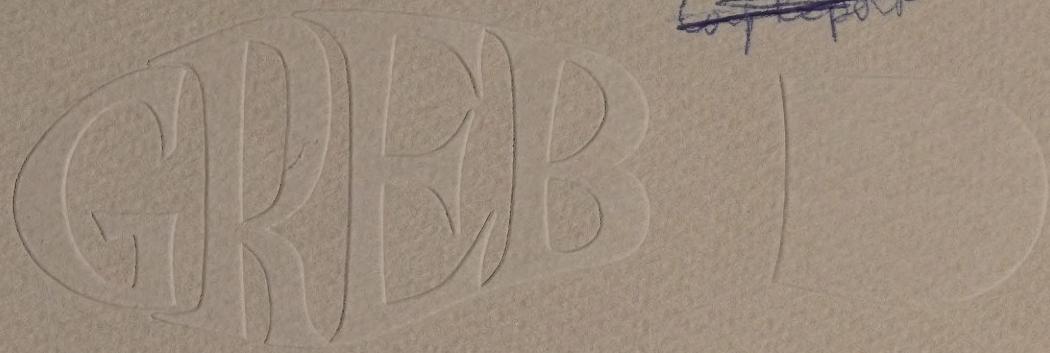


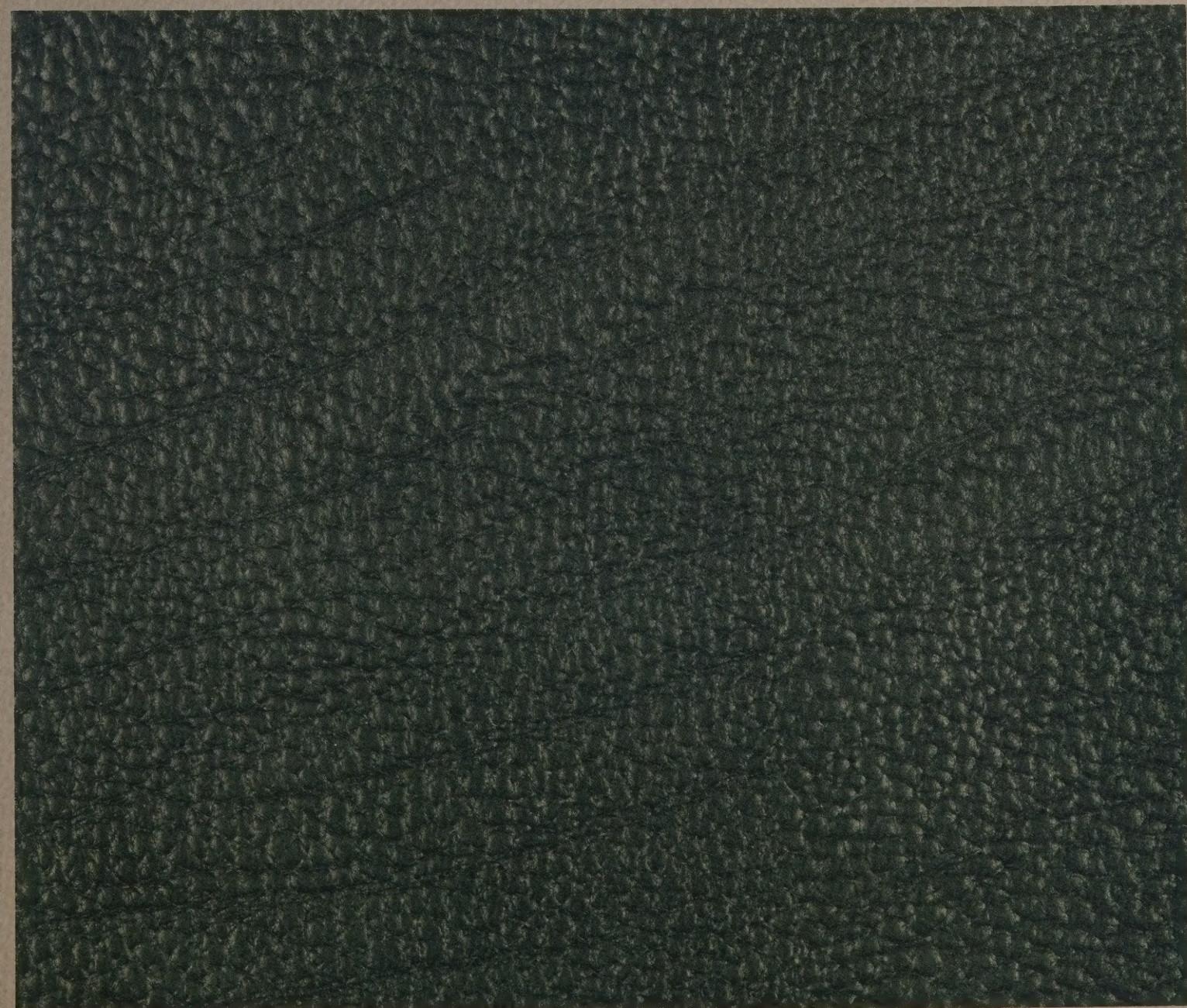
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GREB INDUSTRIES LIMITED/ANNUAL REPORT 1967



Officers

Harry D. Greb,
President

John D. Campbell,
Vice-President, Marketing

Ross E. Hahn,
Vice-President, Manufacturing

Charles E. Greb,
National Sales Director

Arthur C. Greb,
Secretary

Arnold C. Austen, C.A.,
Comptroller

George A. Klugman,
Treasurer

Directors

Clara M. Greb

Harry D. Greb

Arthur C. Greb

Charles E. Greb

Arnold C. Austen, C.A.

John D. Campbell

Ross E. Hahn

John B. Hawson

David C. H. Stanley

Head Office

1 Adam Street,

Kitchener, Ontario.

Transfer Agent & Registrar

Canada Permanent Trust Company

Auditors

Thorne, Gunn, Helliwell & Christenson

ANNUAL MEETING

The annual meeting of shareholders will be held in the board room of The Waterloo Trust and Savings Company at 305 King Street West, Kitchener, Ontario, at 3:00 p.m. E.S.T. on March 28, 1968.

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HIGHLIGHTS OF THE YEAR

| | <u>1967</u> | <u>1966</u> |
|---|-------------|--------------------|
| | October 28 | October 29 |
| Operating Results — Fiscal Years ended | | |
| Net income | \$ 754,572 | \$ 770,859 |
| Per share — Class C and common | 1.08 | 1.10 |
| Dividends declared — Class C and common | 289,985 | 204,615 |
| Per share (i) | .48 | .33 ^{3/4} |
| Financial Position — At year ends | | |
| Working capital | \$3,800,804 | \$4,059,675 |
| Current ratio | 1.60 | 1.82 |
| Shareholders' equity — Class C and common | 5,069,080 | 4,637,942 |
| Per share | 7.52 | 6.88 |
| Other Data — At year ends | | |
| Number of shares outstanding — Class C and common | 673,835 | 673,835 |

- (i) In March 1966, the Company became public and initiated quarterly dividends at the rate of 11 $\frac{1}{4}$ ¢ per share, effective June 15, 1966. The quarterly dividends were increased to 12¢ per share on March 15, 1967. Dividends declared on the Class C shares are equivalent to those declared on the common shares after consideration of the 15% tax paid by the Company on undistributed income.



TO OUR SHAREHOLDERS:

A SUMMARY OF 1967 ACCOMPLISHMENTS

The year ended October 28, 1967, our second year as a public company, produced further growth in our marketing activities, but lower operating profits.

Our net sales increased 7.2% over the previous year establishing another record level since inception of the Company in 1912.

Your Company's net profit after taxes in the 1967 fiscal year amounted to \$754,572, a decrease of \$16,287 or 2.1% from the previous year, while the net profit before income taxes decreased \$185,147 or 12.7% from the previous year. Included in the net profit before taxes in 1966 was extraordinary income of \$123,387 less extraordinary expenses — for Bauer \$40,379 and for the common stock offering of \$33,550.

Our effective cost for corporation income taxes was some \$82,000 lower than the previous year due to a loss carry forward of a recently acquired subsidiary, reducing taxes by \$53,000; the balance of the reduction being due to the excess of capital cost allowances permitted on our fixed asset additions during the year over depreciation recorded in our records on a basis consistent with past years.

The lower operating profit was largely due to the general inflationary effect on all our operating costs during the year. We have taken steps to increase our vigilance on cost control and are encouraged by the results so far in our current year and expect, by the end of our fiscal year, to have made significant progress.

Net earnings per Class C and common share for 1967 were \$1.08, after provision for preference share dividends, compared with \$1.10 in the previous year.

Funds generated from operations last year of \$1,049,444 were slightly ahead of the previous year, but the high rate of investment in new fixed assets combined with the effect of a full year's dividends on our Class C and common shares (versus three quarterly dividends in 1966), reduced our working capital position at year end by some \$259,000.

Net investment in plant, machinery and equipment during the year amounted to \$860,000 of which approximately one half was invested in land and new buildings. This investment includes the balance of construction costs for the addition to the vulcanizing plant and the new production services building in Kitchener, and the new finished shoe warehouse in Winnipeg, as well as payments on construction in progress for our new administration centre

in Kitchener and a new 23,000 square foot finished products warehouse and 7 acre site at Trois-Rivières, Québec. The balance — some \$425,000 — was invested mainly in new machinery, equipment and our transportation fleet in order to increase our manufacturing and distribution efficiency.

We have approximately \$805,000 in commitments outstanding to complete the facility projects mentioned above plus certain smaller items in 1968. It is our intention to defer all other construction plans until there is an improvement in both the financial market and our working capital position.

The Bauer lines of athletic footwear were acquired by your Company in October 1965 and completely integrated as a division of Greb Industries Limited in 1967. Although this division's sales increased only 5.9% during the year, there was a significant improvement in operating profits compared with the previous year. We are confident that the Bauer division will attain very satisfactory operating and sales results in the current year.

Although our new Acme range of Western boots was well received by the trade in 1967, our first complete year of marketing this product line, we did not enjoy the volume growth anticipated but expect to improve our penetration during the current year.

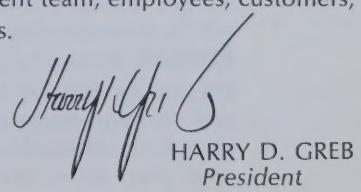
The purchase of The Tebbutt Shoe and Leather Company Limited, Trois-Rivières, Québec this past year has been a good investment. This company has been in business since 1899, and presently its entire output is confined to the manufacture of Hush Puppies. This manufacturing unit has over one hundred skilled employees and gives your company a highly efficient Eastern production facility as a base for future growth.

We invite your attention in the following pages to the review of the year and to the reports of significant developments in our major operating areas.

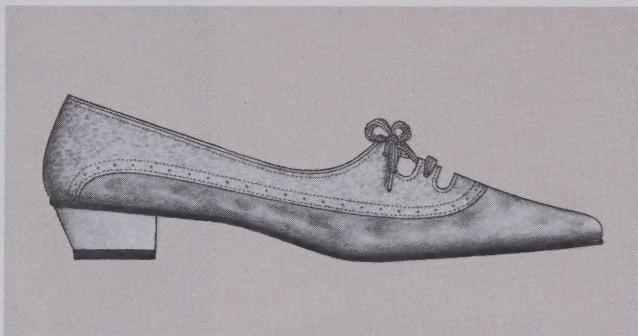
Looking ahead in the current year, we plan to pursue our acquisition program in a conservative manner and to profitably expand our present operations.

We are grateful for the loyalty and support during the past year of our management team, employees, customers, suppliers and shareholders.

Kitchener, Ontario
February 29, 1968


HARRY D. GREB
President

MARKETING PROGRESS - 1967



HUSH PUPPIES

During the year under review, Hush Puppies sales increased 3% over the previous year and accounted for some 47% of the Company's total sales. Our penetration of the Canadian casual footwear market continues at a level unprecedented in the industry. This product line was further expanded during the year to a total of 148 different styles and colors. Hush Puppies, a casual shoe with a reputation for comfort, retail from \$11.95 to \$12.95 for men's models, \$9.95 to \$11.95 for ladies', and \$7.95 to \$9.95 for children's. The Company holds the exclusive Canadian licence for the production of Hush Puppies from Wolverine World Wide, Inc. of Rockford, Michigan. Orders as of February 1968 for the coming Spring season indicate that Hush Puppies will continue to dominate the casual shoe market, maintaining their record-setting performance, and advance into new areas.

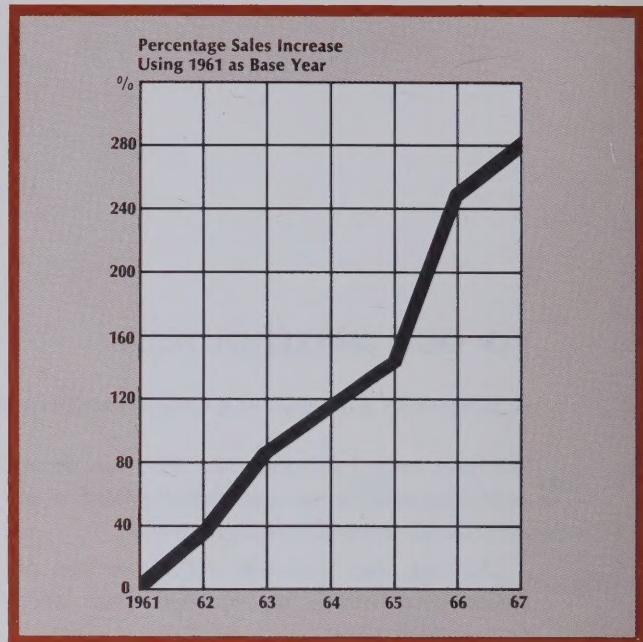


MOHICANS

This line of semi-dress shoes for men and ladies, based on genuine moccasin construction, has been contributing a growing proportion — although still relatively small — to Company total sales, especially since the introduction last year of new machine-stitched models to supplement the original hand-sewn styles. It is expected that the upsurge in sales during 1967 will accelerate during the current year. Retail prices for the nine models in this line range from \$14.95 to \$22.95 for men, and \$10.95 to \$16.95 for women.

KODIAK

This brand name is found on all of the Company's work and sporting boots, which account for a significant proportion of total sales. Probably our best-known Kodiak product — at least to outdoorsmen — is the waterproof leather



boot, originated by the Company some years ago and now exported to several countries (including extensive distribution in the United States). It is one of many Kodiak models with a vulcanized sole — a process pioneered in North America by the Company in which shoe uppers are bonded by heat and pressure to rubber composition soles. A combat boot, similar to the waterproof model, was developed by the Company for the Canadian Army and accounts for a continuing volume of production and sales. In addition to the vulcanized styles, Kodiak boots are manufactured in a variety of cement-construction models, including lightweight field or hiking styles for men, ladies and boys, as well as Goodyear-welt styles which include such specialized versions as logger and paratrooper boots. Dressier welt boots, bearing the Valentine label, and designed for policemen and firemen, experienced good sales acceptance during 1967. It is expected that the level of sales activity in all Kodiak areas will be increased throughout the current year.

SAFETY FOOTWEAR

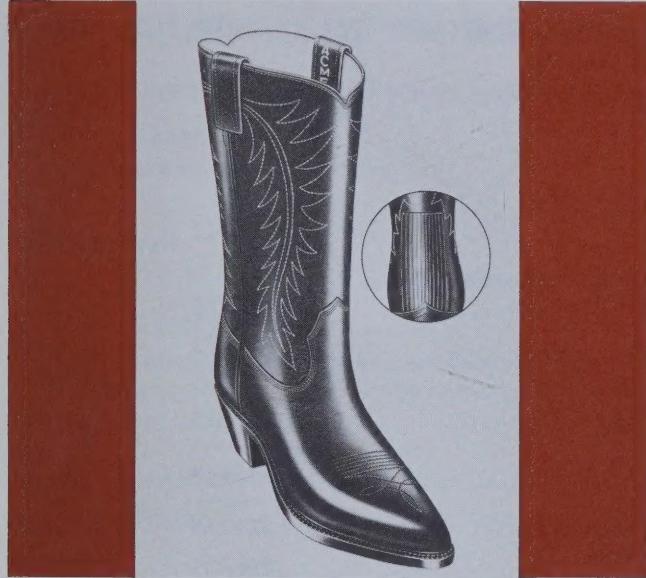
This product line — which includes steel-toe Hush Puppies, and Kodiak boots in vulcanized and welt constructions — has grown steadily in recent years. This reflects a trend of safety-consciousness throughout Canadian industry, and sales are expected to follow an upward curve in the current year, aided by the Company's product development and energetic sales promotion.

MONTEVERDE & TYROLEAN

Manufactured for the Company in Italy, the Monteverde line of medium-priced ski boots enables Greb to participate in this flourishing area of sports footwear. The line was limited to four models (lace and buckle styles for men and women) during the year under review, but the strong degree of consumer acceptance across Canada justified an increase to seven models for the current year. The Tyrolean range of deluxe boots for outdoorsmen and women, also made in Italy for the Company, was enlarged to seven models during 1967 and has shown good sales

potential. Together with a mountaineering boot — made in England and marketed by the Company under the Kodiak label — this line of footwear further broadens the Company's share in the growing market related to the outdoor sports-leisure activities of Canadians.

There is ample evidence that further gains may be expected in both these lines during the current year.



ACME

1967 was the first full sales year for this product line as manufactured by your Company in Canada under an agreement concluded the previous year with Acme Boot Company, Inc. of Clarksville, Tenn. The line was considerably expanded to include 58 models of western and wellington boots for men, women, and children of all ages, and sales in Western Canada support the view that the Acme brand has already become established. However, a similar attempt to establish Acme boots as popular leisure footwear in Eastern Canada was not as rewarding in 1967, and United States experience suggests this has to be considered a long-term project. During the final weeks of 1967, a strong television campaign for children's Acme boots was conducted in a prominent Eastern test-market, but preliminary results are so far inconclusive. Two models in the 1968 line are original developments of the Company: an expandable heel style designed for men with high insteps who previously couldn't wear a western boot; and a felt-lined style for cold weather. The outlook for Acme products in Western Canada is promising, while in the East the opportunities are somewhat more elusive.



MUKLUKS

An entirely new line of footwear was introduced by the Company in the Fall of 1967, designed primarily for the growing winter sports market. The original two models of hand-sewn Mukluks — one for men, and a more colorful model for ladies — registered an instant success with a large number of retailers, and sales exceeded expectations and production planning. With interest in winter leisure activity accelerating, a number of new models have been offered for the coming season, incorporating new designs and materials.



CANVAS FOOTWEAR

Under an agreement reached with C. Itoh & Co. (America) Inc., your Company will distribute exclusively in Canada three lines of canvas-and-rubber footwear manufactured in Japan, beginning in the Spring of 1968. The three brand lines include Randy Boatshu for men and women, Bob Cousy basketball shoes for men, and Dodgers hi-cut and lo-cut shoes for boys. Advance orders indicate that a healthy market exists for this footwear, and prospects for both immediate and long-term profitability appear excellent.

BAUER

The Bauer division maintained its position as the largest manufacturer of complete ice-skating outfits in Canada during 1967, marketing over 80 styles for men, women and children of all ages. Of particular significance in 1967 was the unprecedented penetration of the original National Hockey League teams by Bauer products, plus important representation among the new teams. More "name" players are wearing Bauer skates than ever before. Coupled with the expansion of the professional teams, and the natural increase in hockey interest by a growing North American population, the Bauer sales organization was considerably strengthened in the United States late in 1967. Although sales increased 11% last year, it is expected the results will be even more noticeable in the current year. A notable feature of 1967 was the increased volume in all the other types of athletic footwear, namely baseball, football, soccer and roller skates. Prospects for the coming year are excellent as the North American population, with its preponderance of youth, nurtures an increasing interest in athletic pursuits.

GREB INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF INCOME

*Year ended October 28, 1967
(with comparative figures for 1966)*

| | <u>1967</u> | <u>1966</u> |
|---|---------------------|---------------------|
| Income before undernoted items | \$1,905,921 | \$2,004,896 |
| Aggregate direct remuneration of directors and senior officers (as defined by The Corporations Act of Ontario) | 179,275 | 171,825 |
| Depreciation | 294,872 | 275,653 |
| Interest on long-term debt | 115,883 | 122,194 |
| Extraordinary expenses (income) (note 6) | 44,625 | (21,189) |
| | <hr/> | <hr/> |
| | 634,655 | 548,483 |
| Income before income tax | 1,271,266 | 1,456,413 |
| Income taxes (note 7) | 516,694 | 685,554 |
| Net income for the year | <hr/> \$ 754,572 | <hr/> \$ 770,859 |

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

*Year ended October 28, 1967
(with comparative figures for 1966)*

| | <u>1967</u> | <u>1966</u> |
|--|----------------------|----------------------|
| Balance at beginning of year | \$2,221,189 | \$1,666,515 |
| Add | | |
| Net income for the year | 754,572 | 770,859 |
| Amortization of fixed assets appraisal increase | 29,282 | 52,922 |
| | <hr/> | <hr/> |
| | 3,005,043 | 2,490,296 |
| Deduct | | |
| Cash dividends | | |
| Class A preference shares | 28,000 | 28,000 |
| Class C shares | 25,000 | 28,009 |
| Common shares | 75,401 | 47,366 |
| | <hr/> | <hr/> |
| | 128,401 | 103,375 |
| Stock dividends of 947,920 (646,200 in 1966) Class B shares on Class C shares | 189,584 | 129,240 |
| | <hr/> | <hr/> |
| | 317,985 | 232,615 |
| Tax paid on undistributed income | 14,610 | 36,492 |
| | <hr/> | <hr/> |
| | 332,595 | 269,107 |
| Balance at end of year | <hr/> \$2,672,448 | <hr/> \$2,221,189 |

GREB INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended October 28, 1967

(with comparative figures for 1966)

1967

1966

Source of funds

Operations

| | | |
|--|------------|------------|
| Net income for the year | \$ 754,572 | \$ 770,859 |
| Add depreciation, which does not involve a current outlay of funds | 294,872 | 275,653 |
| | <hr/> | <hr/> |
| | 1,049,444 | 1,046,512 |
| Issue of capital stock | | 1,471,500 |
| Sale of fixed assets | 31,038 | 30,339 |
| | <hr/> | <hr/> |
| | 1,080,482 | 2,548,351 |

Application of funds

| | | |
|---|-------------------|-------------------|
| Addition to fixed assets | 879,654 | 1,043,104 |
| Investment in subsidiary company, less net current assets acquired | 11,638 | |
| Dividends declared | 317,985 | 232,615 |
| Tax paid on undistributed income | 14,610 | 36,492 |
| Special refundable tax | 3,677 | 23,344 |
| Principal instalments due within one year on long-term debt, reclassified under current liabilities | 104,000 | 104,000 |
| Increase in life insurance, cash surrender value | 7,789 | 7,638 |
| | <hr/> | <hr/> |
| | 1,339,353 | 1,447,193 |
| Increase (decrease) in working capital | (258,871) | 1,101,158 |
| Working capital at beginning of year | 4,059,675 | 2,958,517 |
| Working capital at end of year | <hr/> \$3,800,804 | <hr/> \$4,059,675 |

UNAMORTIZED EXCESS OF APPRAISED VALUE OF FIXED ASSETS OVER COST

Year ended October 28, 1967

(with comparative figures for 1966)

1967

1966

| | | |
|--|------------------|------------------|
| Balance at beginning of year | \$ 324,481 | \$ 377,403 |
| Amortization for year transferred to retained earnings | 29,282 | 52,922 |
| Balance at end of year | <hr/> \$ 295,199 | <hr/> \$ 324,481 |

GREB INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET — OCTOBER 28, 1967

(with comparative figures at October 29, 1966)

| ASSETS | <u>1967</u> | <u>1966</u> |
|--|---------------------|---------------------|
| Current assets | | |
| Accounts receivable | \$ 4,252,545 | \$ 3,798,197 |
| Inventories | | |
| Raw materials, at the lower of cost and replacement cost | 1,714,834 | 1,749,438 |
| Work in process, at the lower of cost and net realizable value.. | 467,375 | 437,787 |
| Finished goods, at the lower of cost and net realizable value .. | 3,532,400 | 2,883,169 |
| Prepaid expenses | 130,225 | 116,882 |
| | 10,097,379 | 8,985,473 |
| Other assets | | |
| Special refundable tax | 27,021 | 23,344 |
| Life insurance, cash surrender value, less policy loans of \$109,278 | 48,012 | 40,223 |
| Investment in and advance to subsidiary company (note 1) | 91,055 | 91,055 |
| | 166,088 | 154,622 |
| Fixed assets (note 2) | | |
| Land | 173,855 | 141,668 |
| Buildings | 2,041,508 | 1,595,272 |
| Machinery and equipment | 1,981,676 | 1,621,731 |
| Dies, lasts and patterns | 464,362 | 368,034 |
| | 4,661,401 | 3,726,705 |
| Less accumulated depreciation | 1,593,213 | 1,233,060 |
| | 3,068,188 | 2,493,645 |
| Goodwill, trademarks, patents and licences, at cost | 86,000 | 86,000 |
| | \$13,417,655 | \$11,719,740 |

Approved on behalf of the Board

DIRECTOR

DIRECTOR

| LIABILITIES | <u>1967</u> | <u>1966</u> |
|---|---------------------|---------------------|
| Current liabilities | | |
| Bank advances, against which book debts and inventories have been pledged | \$ 4,017,048 | \$ 2,492,196 |
| Accounts and notes payable and accrued liabilities | 1,885,572 | 1,853,126 |
| Income and other taxes payable | 200,345 | 391,470 |
| Dividends payable | 89,610 | 85,006 |
| Principal instalments due within one year on long-term debt | 104,000 | 104,000 |
| | 6,296,575 | 4,925,798 |
| Long-term debt (note 3) | 1,492,000 | 1,596,000 |
| | | |
| SHAREHOLDERS' EQUITY | | |
| Capital stock (note 4) | 2,556,500 | 2,556,500 |
| Retained earnings | 2,672,448 | 2,221,189 |
| Unamortized excess of appraised value of fixed assets over cost .. | 295,199 | 324,481 |
| Excess of book value of shares of subsidiary companies over cost at date of acquisition | 104,933 | 95,772 |
| | 5,629,080 | 5,197,942 |
| Commitments (note 5) | | |
| | <u>\$13,417,655</u> | <u>\$11,719,740</u> |

GREB INDUSTRIES LIMITED AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended October 28, 1967

1. Subsidiary companies and basis of consolidation

The subsidiary companies consolidated in these financial statements are Greb Shoes Limited, Greb Realty Limited, The Western Shoe Company Limited, The Canada Skate Manufacturing Company Limited, Bauer Canadian Skate, Inc., and The Tebbutt Shoe and Leather Company Limited.

The accounts of Bauer Canadian Skate, Inc. have been converted into Canadian currency on the following basis: current assets, liabilities and operating accounts other than depreciation, at a rate of exchange of \$1.070625 and fixed assets and depreciation, at par of exchange.

The Tebbutt Shoe and Leather Company Limited was purchased as at October 31, 1966 and the results of its operations are reflected in the current year's figures only.

As in prior years, the accounts of Metro Marine Limited, a controlled company, are not consolidated because its operations are dissimilar. The company's proportion of the profit of Metro Marine Limited for the year ended December 31, 1966 amounted to \$10,030 and the accumulated net profit since acquisition, which amounted to \$7,669, is not reflected in the company's financial statements.

The investment in Metro Marine Limited consists of:

| | 1967 | 1966 |
|-----------------------|-------------|-------------|
| Shares, at cost | \$51,055 | \$51,055 |
| Advances | 40,000 | 40,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

2. Fixed assets

Fixed assets of Greb Industries Limited and Greb Realty Limited are valued at depreciated replacement values as determined by the Dominion Appraisal Co. Limited as at April 20, 1963, with subsequent additions at cost. Fixed assets of other subsidiary companies are valued at cost.

3. Long-term debt

| | 1967 | 1966 |
|---|-------------|-------------|
| 6 3/4% Secured sinking fund debentures, Series A, maturing November 15, 1981, issued October 15, 1963 | \$ 938,000 | \$1,000,000 |
| 7% Secured sinking fund debentures, Series B, maturing November 15, 1981, issued October 29, 1965 | 658,000 | 700,000 |
| Less principal instalments included in current liabilities | 104,000 | 104,000 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | \$1,492,000 | \$1,596,000 |

Under provisions of the debenture trust deed and the supplementary debenture trust deed, the company is obligated to set aside amounts sufficient to retire out of sinking fund moneys, \$62,000 principal amount of Series A debentures and \$42,000 principal amount of Series B debentures, on November 15 in each of the years 1966 to 1980 inclusive.

Under provisions of the debenture trust deeds, the company may redeem the whole or any part of the debentures outstanding on or after November 15, 1968 and up to November 15, 1981, at amounts varying from 110.50% to 100.00% of the principal amount redeemed.

The debenture trust deeds contain certain restrictions relating to the payment of dividends.

4. Capital stock

Authorized

31,200 Class A preference shares, par value \$100 each, issuable in series 8,554,630 Class B non-cumulative non-voting redeemable shares, par value 20¢ each (after giving effect to the issue and redemption of 935,212 shares during the year) 716,500 *Class C participating shares without par value, convertible into an equal number of common shares 1,533,500 *Common shares without par value

| | 1967 | 1966 |
|--|-------------|-------------|
| Issued | | |
| 5,600 5% Cumulative redeemable Class A preference shares, first series | \$ 560,000 | \$ 560,000 |
| 500,000 (533,500 in 1966) | | |
| Class C shares.... | 487,162 | 519,802 |
| 173,835 (140,335 in 1966) | | |
| Common shares .. | 1,509,338 | 1,476,698 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | \$2,556,500 | \$2,556,500 |

*During the year, 33,500 Class C participating shares without par value were converted to common shares.

5. Commitments

The company has undertaken to contribute past service pension costs of \$18,568 per annum for thirteen years, which amounts will be charged against income as paid.

Additional outlays of approximately \$805,000 are required under commitments for the completion of capital projects.

6. Extraordinary expense (income)

| | 1967 | 1966 |
|--|-------------|-------------|
| Inventory adjustment (see below) | \$(123,387) | |
| Less | | |
| Bauer non-recurring costs.. | 40,379 | |
| Cost of public offering.... | 33,550 | |
| Other items not considered | | |
| regular operating costs... \$44,625 | 28,269 | |
| | <hr/> <hr/> | <hr/> <hr/> |
| | 44,625 | 102,198 |
| | <hr/> <hr/> | <hr/> <hr/> |
| | \$44,625 | \$(21,189) |

In 1966, a change in the Bauer companies' method of inventory valuation to standard cost, net of a reduction for obsolescence of certain special items, created extraordinary income of \$123,387.

7. Income taxes

Income taxes for the year have been reduced by \$82,375 (\$49,130 in 1966) because income taxes are calculated on the basis of claiming capital cost allowances in excess of depreciation recorded in the accounts. The accumulated amount by which taxes have been so reduced is \$280,707 (\$198,332 in 1966).

Income taxes have been further reduced by \$52,953 as a result of the application in a subsidiary company, of previous years' losses against the current year's income.

Capital cost allowances deductible in determining income taxes in future years may be less than depreciation recorded in the accounts.

AUDITORS' REPORT

To the Shareholders of Greb Industries Limited

We have examined the consolidated balance sheet of Greb Industries Limited and its subsidiary companies as at October 28, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at October 28, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Kitchener, Ontario
January 18, 1968

Thorne, Gunn, Helliwell & Christensen

Chartered Accountants

6 YEAR CONSOLIDATED OPERATING AND FINANCIAL REVIEW

Figures in thousands except per share data

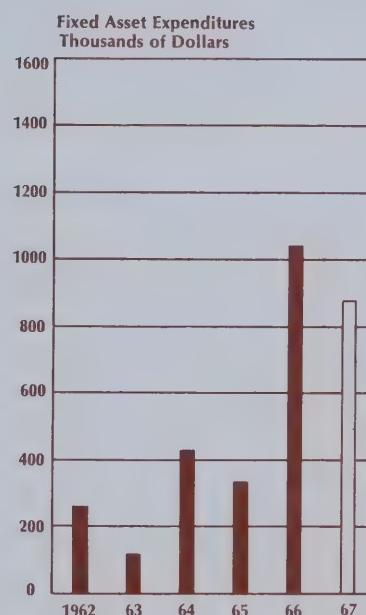
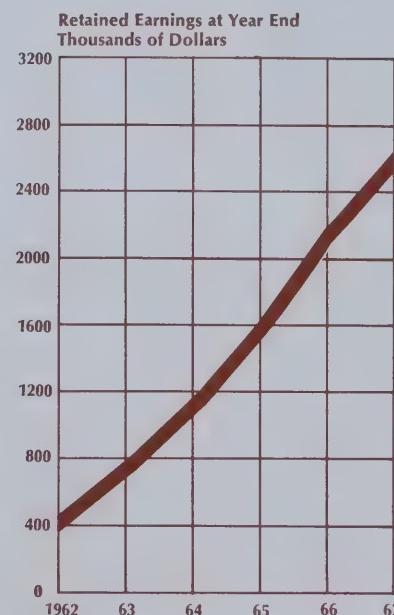
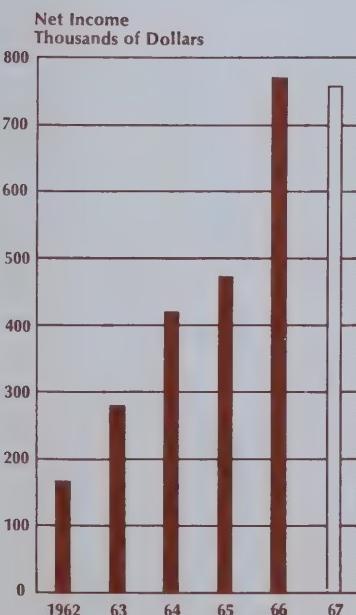
| Years ended in October | <u>1967</u> | <u>1966</u> | <u>1965</u> | <u>1964</u> | <u>1963</u> | <u>1962</u> |
|---|-------------|--------------------|-------------|-------------|-------------|-------------|
| Operating Results | | | | | | |
| Income before undenoted items | \$1,682(i) | \$1,854(ii) | \$1,139 | \$1,092 | \$ 705 | \$ 378 |
| Depreciation | 295 | 276 | 171 | 135 | 123 | 112 |
| Interest on long-term debt | 116 | 122 | 81 | 85 | 22 | 17 |
| Income taxes | 516 | 685 | 407 | 454 | 275 | 80 |
| Net income | 755 | 771 | 480 | 418 | 285 | 169 |
| Total dividends declared | 318 | 233 | 46 | 46 | 27 | 2 |
| Financial Position at Year End | | | | | | |
| Working capital | \$3,801 | \$4,060 | \$2,958 | \$1,648 | \$1,568 | \$ 307 |
| Current ratio | 1.60 | 1.82 | 1.62 | 1.70 | 1.83 | 1.14 |
| Fixed assets (net) | 3,068 | 2,494 | 1,756 | 1,338 | 1,053 | 536 |
| Long-term debt | 1,492 | 1,596 | 1,700 | 1,154 | 1,154 | 258 |
| Shareholders' equity — Class C and common | 5,069 | 4,638 | 2,665 | 1,635 | 1,264 | 469 |
| Shares outstanding — Class C and common (iii) | 674 | 674 | 539 | 505 | 505 | 505 |
| Per Share in Dollars — Class C and Common | | | | | | |
| Net income | \$ 1.08(i) | \$ 1.10(ii) | \$.85 | \$.79 | \$.56 | \$.33 |
| Dividends declared (iv) | .48 | .33 ^{3/4} | .05 | .05 | .05 | |
| Shareholders' equity | 7.52 | 6.88 | 4.95 | 3.24 | 2.50 | .93 |

(i) Includes the net income of The Tebbutt Shoe and Leather Company Limited, acquired as at October 31, 1966.

(ii) Includes the net income of The Western Shoe Company Limited, The Canada Skate Manufacturing Company Limited and Bauer Canadian Skate, Inc., acquired on October 29, 1965.

(iii) Adjusted to reflect a capital stock subdivision and reclassification into Class C and common shares on February 18, 1966.

(iv) In March 1966, the Company became public and initiated quarterly dividends at the rate of 11^{1/4}¢ per share, effective June 15, 1966. The quarterly dividends were increased to 12¢ per share on March 15, 1967. Dividends declared on the Class C shares are equivalent to those declared on the common shares after consideration of the 15% tax paid by the Company on undistributed income.



MANUFACTURING AND DISTRIBUTION PROGRESS - 1967



DISTRIBUTION NETWORK

A second tractor-trailer transport vehicle was added to the Greb fleet of trucks in 1967, further improving our efficiency in moving raw materials and finished products among several Canadian and United States points. Since October, the new transport has been making weekly trips between Kitchener and Winnipeg, including picking up material enroute at Rockford, Michigan. The other transport, commissioned over one year ago, travels weekly to Trois-Rivières, Québec. A third truck runs between Kitchener, Montreal and Brattleboro, Vermont, and a fourth truck goes from Kitchener to our Bauer warehouse in North Tonawanda, New York (a suburb of Buffalo). Painted alike, the vehicles serve as prominent billboards on Canada's most travelled highways. Schedules are designed to correlate the distribution of finished products with the collection of raw materials from suppliers, thus maximizing the benefits of our fleet operation.



ROCKWAY INDUSTRIAL PARK — KITCHENER ADMINISTRATION CENTRE

Construction of the Greb three-story administration headquarters was begun in the Summer of 1967, and is scheduled for completion in July at an estimated cost of \$760,000. The building will provide 23,000 square feet of space, plus basement, for the centralization of administration and marketing services for all divisions, as well as purchasing, data processing and production scheduling. The benefits of improved communications and liaison resulting from this new situation are expected to show up immediately in operational efficiency. Since the building is planned to take care of future expansion, initially some of the area will be used to provide rental income.

ELECTRONIC DATA PROCESSING

The harnessing of Greb communications to computer operation, initiated in 1966, gained momentum throughout 1967. Guided by the policy that "everything starts with the customer order", the new data processing department created a number of master files and programs during the year, with the result that by October orders were being processed electronically. As with any dynamic innovation, the advent of computer operation in the Company is causing extensive re-examination of most related procedures, so that even now the obvious advantages of computerization are merely a promise of improvements ahead. The past year has been largely one of investment and exploration — investment of executive time and experience, and exploration of possibilities. During 1968 we can look forward to having all customer orders entirely processed, invoiced and recorded electronically. Computer time is presently leased off premises, but an IBM System 360 Model 20 will be installed in the Administration Building in 1969. The system plan is such that all departments will ultimately benefit from — and have their operations conditioned by — the Company computer.

PRODUCTION SERVICES BUILDING

Inaugurated in November of the previous year, the Production Services Building had its first full year of operation in 1967, supplying the sole and heel components to all Greb plants (including Bauer), and storing raw materials for several Kitchener locations. This building is also headquarters for the Kitchener maintenance department. 1967 also saw the phasing in of our new automatic cutting machine, which operates on an electronic program system and safely provides increased production with maximum material yield.

VULCANIZING PLANT

A new 5,000 square-foot extension to the existing 15,000 square-foot area of this plant was completed in January 1967. The new space permitted installation of additional vulcanizing units, a fitting room transporter system, plus enlarged canteen facilities. This 50% increase in plant productive capacity will enable your Company to meet future increased demand requirements for our vulcanized footwear.

VICTORIA STREET PLANTS — BAUER

In the combined Bauer plant facilities, which include a boot manufacturing plant and a skate plant on Victoria Street in Kitchener, production pairage showed a 7% increase in 1967 (compared with a 7.8% increase in 1966) for the second year under Greb management.

The program to improve production efficiency in the boot plant, begun last year, has seen the introduction of conveyors to the lasting and finishing departments. In addition to better space utilization, this equipment has provided an improved work flow for increased output and efficiency. The skate plant is presently under study to determine the feasibility of a program for improved methods and production flow in this area.



HAYWARD AVENUE WAREHOUSE — BAUER

Leasing with an option to purchase a modern, single-story building with 35,000 square feet of floor space in October, 1967, permitted the Company to accommodate warehousing and shipping activities for all Bauer products in Kitchener at this location. Part of the building was renovated and in use by mid-November, and the remainder of the space is being made available for rental. Within a few blocks of our Industrial Park site, and close to planned expressway routes, the property includes five acres of land, sufficient for any anticipated expansion.

TROIS-RIVIERES

THE TEBBUTT SHOE and LEATHER COMPANY LIMITED

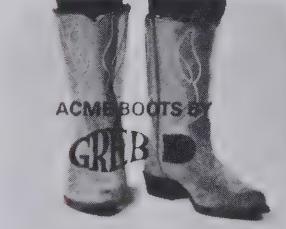
The Company purchased The Tebbutt Shoe and Leather Company Limited as of October 31, 1966 following one year in which the Trois-Rivières manufacturing concern produced Hush Puppies for us under contract. The quality and production efficiency achieved during this period recommended the purchase, which provides your Company with an experienced staff of over one hundred skilled employees in the heart of Canada's French-speaking market.

WINNIPEG

MARKET STREET PLANT

Production of our newly-acquired line of Acme cowboy and wellington boots commenced in 1967 and reached a satisfactory volume level during the year. Also production was commenced on our new line of Mukluks and we are presently gearing for a significant expansion in 1968. With the increased demand on our Winnipeg plant for lines that are more intricate and complex, it was necessary to transfer some units of production to our other plants. Plans for new facilities to be constructed on our Inkster Industrial Park property, replacing the presently leased premises, are being finalized but it is not expected that this project will be undertaken in the near future.

National selective television advertising remained the basis of the Greb products advertising program in 1967. Mass circulation magazines, certain periodicals, transit advertising and the industry press were also used. A new commercial has been created for Acme children's boots and will be run in the current year. Bauer products were successfully advertised using a combination of radio, newspaper, and selected magazines. Bauer media advertising leaned heavily on endorsement by N.H.L. stars.



For barefoot comfort, put yourself in our shoes



Hush Puppies

GREB SHOES LIMITED, KITCHENER, ONTARIO

Hush Puppies.
For executives
who wouldn't be
caught dead wearing
Hush Puppies to
the office.

The office has always been the one place Hush Puppies feared to tread. True, it's a comfortable idea. But it's not what you thought. Well, we've changed that with new Tiger-grain Hush Puppies. They have the same great barefoot comfort as our pigskin casuals, but in a high quality grain leather for your round wear. They're elegant enough for a Board meeting.

This is just one of the great new things that Hush Puppies have to offer you this year. There are many more styles and colours than ever before. For barefoot comfort put yourself in our shoes.



GREB SHOES LIMITED, KITCHENER, ONTARIO

Now what's afoot?

Plenty. And to find out how it's going to profit you, we'd like to have you visit us at Booth #525, at the Show Fair.

We'll show you our new Hush Puppies for '68 (more new styles and colours than ever before).

And tell you about our '68 Advertising Plans, too.

So, come up and see us. You're more than welcome. If you can't make it, your Greb salesman will bring our show to you. Soon.



GREB SHOES LIMITED, KITCHENER, ONTARIO.



Sneaker preview.



The new Randy Boatshu from Greb

Next year, why not ride the wave of summer sales? You can if you stock this new Randy Boatshu in depth — another new, profitable line available from Greb.

Every Randy Boatshu in this new

line is made with a high-quality canvas upper; built-in arch support for comfort; and a scientifically designed, non-skid, tread pattern.

Better yet, the Randy Boatshu gives you a real head start over competition. Men's retail for only \$6.98.

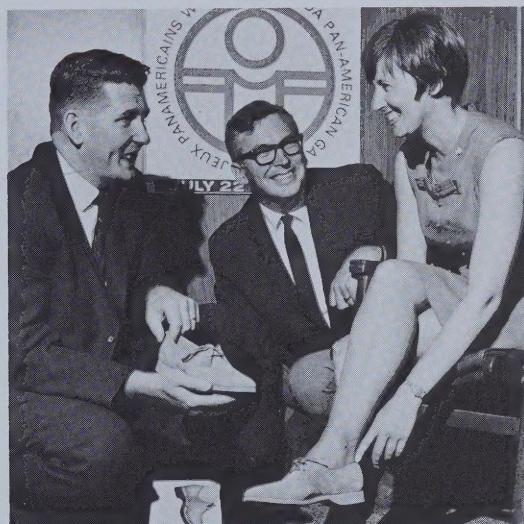
Women's for \$5.98. Both with long

mark up.
You can order your summer stock of the Randy Boatshu by just dropping us a line. Or see your Greb Representative. Either way do it soon. Okay?

Greb
GREB SHOES LIMITED,
KITCHENER, ONTARIO

PUBLIC RELATIONS

A program of communication with various segments of the public was continued throughout 1967. In addition to a flow of information about Company products and activities, liaison was maintained with many groups and organizations which have interests in common with the Company. One facet of the program is the four-year-old Greb Hiking Bureau, actively involved in the promotion of this rapidly expanding participant sport. Two special events of the year were Expo '67 in which all the male official guides in the Canadian Pavilion were equipped with Hush Puppies, and the Pan-American Games in Winnipeg, where the Canadian athletes chose Hush Puppies as part of their official uniform.



HIKING TRAILS IN CANADA

CENTENNIAL EDITION
PRICE 25¢



SALES PROMOTION

During the last quarter of 1967, point-of-sale material was created to emphasize the fact that Hush Puppies had won both the "men's casuals" and "women's casuals" categories of the annual Canadian Shoe Style Awards. This theme will be continued throughout much of the current year.

In addition to a major exhibit for the benefit of dealers at the Canadian Shoe & Leather Fair in Montreal's new Place Bonaventure, the Company also co-operated with the major independent and department store retailers throughout the year in presenting a number of consumer-directed promotions.

The importance of the shoe sales clerk as a link with the purchasing public was the reason for a trans-Canada dealer "show" in the Spring of 1967. Employing a combination of media, including slides, film and videotape, your Company's presentation travelled from coast - to - coast, using TV station studios in major centres as facilities to accommodate the "live" audiences of our dealers and their sales personnel.

